This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 SANTO DOMINGO 003564

SIPDIS

SENSITIVE

STATE PASS TO USITC FOR LSCHLITT
STATE PASS TO OPIC
STATE PASS TO USTR FOR GDURKIN
TREASURY FOR OASIA/INC

E.O. 12958: N/A
TAGS: ASEC ECON ETRD OTRA XL EFIN DR
SUBJECT: DOMINICAN REPUBLIC - USITC BIENNIAL CARIBBEAN BASIN INVESTMENT SURVEY

REF: SECSTATE 87702

¶1. This cable is in response to the USITC's request for the 2004 Caribbean Basin Investment Survey. According to the Dominican Export and Investment Center, foreign direct investment (FDI) in the Dominican Republic in 2004 totaled USD 650 million, down from USD 1.01 billion in 2003. Investment in free trade zones continued to increase as did FTZ exports, though at a much lower rate than previously. The Caribbean Basin Trade Partnership Act has been very effective in attracting new business to the Dominican Republic in the past, and now businesses are looking to the Dominican Government to ratify the U.S.-Central American, Dominican Republic Free Trade Agreement (CAFTA-DR) to create even greater free trade benefits on a permanent basis.

¶2. The Dominican National Council of Free Trade Zones (CNZFE) indicates that Free Zone areas in 2004 grew in terms of the number of businesses, the number of employees and total exports. There was a 7.4% increase in the number of free zone areas in 2004. The total value of exports from free trade zones was USD $4.4 billion, just slightly (0.2%) greater than in 2003. However, free trade exports in comparison to all Dominican trade decreased by 5%. The United States has the highest representation in the free trade zones with 256 business, which in 2004 represented 45% of the total free trade zone businesses. Exports from the largest FTZ sector, textiles, dropped as they did in 2003, this time by 5.5%.

¶3. Total new investment in Free Trade Zones in 2004 was USD 114 million. U.S. businesses are the largest investors in the Free Trade Zone areas with 2004 investments estimated at USD 57 million. The highest percentage of goods exported from the Free Trade Zones goes to the United States -- 76% of total FTZ exports. Of 569 FTZ businesses, 456 use materials originating in the United States.

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FDI by Sector in FTZ (in millions of U.S. dollars)
January to December 2004
Data from CNFZE
- - - - - - - - - - - - - - -
Textiles 47.2
Metals 10.1
Medical Instruments/Materials 8.6
Services 8.4
Tobacco 7.6
Cartons and Paper Products 6.3
Construction Materials 4.8
Construction 4.7
Food 3.4
Agro-Industrial 2.8
Chemical Products 2.8
Plastic Goods 2.1
Trade Related Business 1.1
Jewelry 1.2
Electronics 1.1
Leather Goods 0.6
Refrigeration 0.6
Assembly of Electrical Equiment 0.2
- - - - - - - - - -
Total 113.6
- - - - - - - - - -

¶4. Sensitive - Business Confidential

The following company-specific information represents some of the largest U.S. companies registered as foreign businesses in the Dominican Republic, and reflects those companies registered as having new investment in 2004.

- Verizon is the main telephone service provider operating in the Dominican Republic.
The company invested USD 220 million in a new headquarters building and infrastructure upgrades during 2004. The local Verizon president told us that the company did not benefit from CBERA/CBTPA.

- Tricom is 40 percent owned by Motorola and is the second largest provider of long distance and cellular telephone services in the Dominican Republic. Citigroup of New York owns a sizable share of Tricom's debt. A Tricom executive states that 2004 investment was USD 28 million and this was new investment. Tricom did not receive CBERA/CBTPA benefits in 2004. However, the company had benefited in the past through CARIFA (Section 936) bond issues.

- CODACSA/The Fairfield Group invested approximately $13 million in toll road construction but claimed no CBERA/CBTPA benefits.

- Colgate Palmolive, Inc. is the leading manufacturer in the Dominican Republic of soaps and toothpaste.
It invested approximately USD 1.5 million during 2004. The company is not located in a free trade zone and the project would have been launched without CBERA/CBTPA.

- Pernod Ricard Dominicana invested approximately USD 17 million in 2004. Pernod Ricard is a French company, but the Dominican office is managed out of the company's U.S. headquarters and the investment is categorized by the Dominican Government as a U.S. investment. The company is not located in a free trade zone and the project would have been launched without CBERA/CBTPA.

- FMI Apparel, an FTZ company, would not disclose new investment for 2004, but indicated that CBERA/CBTA incentives are essential to the company and that without them the company would not be doing business in the Dominican Republic.
HERTELL